

ADMINISTRATIVE
Memorandum INTERNAL USE ONLY

(161) TO : Cable Secretary

DATE: 26 January 1965

FROM : Chief, Printing Services Division, OL

SUBJECT: Purchase of Xerox Machines CPYRGHT

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1. Attached is a copy of General Services Administration Circular No. 353 dated 29 September 1964, Subject: "Guidelines for Acquisition of Office Copying Machines Not Requiring Sensitized Paper for Reproduction" (Xerox 914). CPYRGHT

2. Records below indicate the activity of the 914 Xerox machines your office has been leasing:

CPYRGHT

Rental Number	Location	No. of Mos.	Average Monthly Rental	Projected Cost 12 Mos.	Projected Cost 18 Mos.
26	LA53 Hdqtrs.	18	\$381	\$ 4,572	\$ 6,858
40	LA53 Hdqtrs.	18	918	11,016	16,524
48	LA53 Hdqtrs.	18	747	8,964	13,446

3. The purchase of copying machines in lieu of expensive rental costs is one means of effecting economy. It is suggested that you monitor the usage of each machine under your control and that consideration be given to purchase in accordance with the guidelines contained in the attached circular.

4. It appears that Rental Nos. 40 and 48 meet the usage criteria as established in the attached circular and that a decision to purchase or continue leasing should be made as soon as possible.

STATINTL

Attachment

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1 - OL/PSD (Off)

ADMINISTRATIVE

GENERAL SERVICES ADMINISTRATION
WASHINGTON, D. C. 20405

September 29, 1964

GENERAL SERVICES ADMINISTRATION CIRCULAR NO. 353

TO : Heads of Federal Agencies

SUBJECT: Guidelines for Acquisition of Office Copying Machines Not Requiring Sensitized Paper for Reproduction

1. Purpose. This circular is issued to assist personnel of Federal agencies who are concerned with the acquisition of office copying machines available under the terms of Federal Supply Schedule, FSC Group 36, Part II. These guidelines may also be utilized in connection with acquisition of equipment by or for contractors or subcontractors performing under cost-reimbursement type contracts. The circular is not intended as a guide for determining whether a need exists for copying equipment.
2. Background. The subject machine, which is the only electrostatic copier that uses standard stock paper, was introduced in the latter part of 1960. It has reduced copy costs in Government agencies while providing rapid copy production. Prior to July 1, 1963, this machine appeared on the Federal Supply Schedule but could only be leased. The Schedule has allowed for the purchase of new machines for \$29,500 since that date, and the FY 1965 Schedule also authorizes purchase of a leased machine with full credit for the rentals paid during the 18 months prior to purchase, up to \$14,500, applied to the purchase price. Even though purchase of this machine has been authorized for over a year, agencies have for the most part continued to lease the machine. The decision to lease is probably due to its high purchase price compared with other copying machines, and/or concern with regard to potential obsolescence.

While the technologic obsolescence factor must be considered carefully when reviewing the alternative methods of acquiring the subject machine, the purchase price per se should not be considered a deterrent in this regard. This reasoning particularly applies where a currently leased machine may be purchased and a sizable reduction of the purchase price credited for past rental costs. Studies conducted by the General Accounting Office and the General Services Administration indicate that in many cases substantial savings can be realized by purchase of the subject machine, notwithstanding its high acquisition cost (see attachment). The option now available to purchase a new or currently leased machine should be exercised more frequently than in the past, despite the technologic fluidity in the copying field today.

3. Selection of Method of Acquisition. In view of the above, Government agencies today have three alternatives. They can (1) lease the

subject machine, (2) purchase a currently leased machine, or (3) purchase a new machine. The method of acquiring the subject copying machine should be determined after careful consideration of the relative merits of the methods available. The method selected should be that which offers the greatest advantage to the Government under the circumstances which pertain to each situation. Decisions as to the financial advantages of purchasing, whether it be a new or a currently leased machine, should be based not only on the needs of the individual using activity, but on the needs of the entire agency, and to the extent practicable, the needs of the entire Federal Government. In this regard, activities planning to acquire the subject machine for use for a period of time insufficient to realize a savings by purchase should consider whether savings can be obtained by subsequent use of the machine within the agency or by utilization elsewhere in the Government. To aid in such determinations, the attachment and the following examples are offered for agency guidance:

Agency A has made a determination to acquire the subject machine. A workload of 20,000 copies per month is anticipated. As can be seen in the attachment, after 5 years the cost to Agency A would be less if the machine is acquired by purchase rather than lease. Furthermore, since the estimated life expectancy is 3 million copies, Agency A would be able to operate the machine for at least another 5 years with the only charge being maintenance costs of \$2,160 per year. The lease costs would continue at \$8,700 per year under the present schedule.

Agency B leased a new machine early in September 1962 that has been producing 30,000 copies per month since that time. By purchasing this machine the purchase price will be reduced by \$14,500. Total costs for the first 2 years following purchase would be \$21,480 (\$15,000 purchase price + \$6,480 maintenance costs = \$21,480), whereas lease costs during this period would total \$24,900. At the end of the 2-year period, the purchased machine would still be capable of producing 30,000 copies per month for 4-1/3 years before reaching its life expectancy with the only cost being the \$.009 per copy maintenance charge.

Agency C has leased a machine which has averaged 40,000 copies per month for 2 years; the life expectancy of the machine is an additional 51 months. (24 mos. x 40,000 copies + 51 mos. x 40,000 copies = 3,000,000 copies.) The question here is, should Agency C purchase the used machine with a 51-month life expectancy, or purchase a new machine with a life expectancy of 75 months. In this instance, although cost is of prime concern, protection from technologic obsolescence must be considered. With the purchase of a used machine, Agency C would be better protected cost-wise against this eventuality than if it purchased a new machine.

The attachment and the foregoing examples reflect savings that can be attained under the existing Federal Supply Schedule. Subsequent modifications thereto, or the advent of new or modified equipment or processes can of course affect the computations contained therein. When such circumstances do arise, this circular will be appropriately modified.



BERNARD L. BOUTIN
Administrator

Attachment

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COST COMPARISON OF LEASE VS. PURCHASE OF A NEW COPYING MACHINE

<u>COPIES PER MO.</u>	<u>CUMULATIVE YEARLY COSTS</u>									
<u>LEASE*</u>	1	2	3	4	5	6	7	8	9	10
10,000	\$ 4,500	\$ 9,000	\$13,500	\$18,000	\$22,500	\$27,000	\$31,500	\$36,000	\$40,500	\$45,000
15,000	6,600	13,200	19,800	26,400	33,000	39,600	46,200	52,800	59,400	66,000
20,000	8,700	17,400	26,100	34,800	43,500	52,200	60,900	69,600	78,300	87,000
25,000	10,650	21,300	31,950	42,600	53,250	63,900	74,550	85,200	95,850	106,500
30,000	12,450	24,900	37,350	49,800	62,250	74,700	87,150	99,600		
35,000	13,950	27,900	41,850	55,800	69,750	83,700	97,650			
40,000	15,450	30,900	46,350	61,800	77,250	92,700				
45,000	16,950	33,900	50,850	67,800	84,750					
50,000	18,450	36,900	55,350	73,800	92,250					
<u>PURCHASE**</u>										
10,000	\$30,580	\$31,660	\$32,740	\$33,820	\$34,900	\$35,980	\$37,060	\$38,140	\$39,220	\$40,300
15,000	31,120	32,740	34,360	35,980	37,600	39,220	40,840	42,460	44,080	45,700
20,000	31,660	33,820	35,980	38,140	40,300	42,460	44,620	46,780	48,940	51,100
25,000	32,200	34,900	37,600	40,300	43,000	45,700	48,400	51,100	53,800	56,500
30,000	32,740	35,980	39,220	42,460	45,700	48,940	52,180	55,420		
35,000	33,280	37,060	40,840	44,620	48,400	52,180	55,960			
40,000	33,820	38,140	42,460	46,780	51,100	55,420				
45,000	34,360	39,220	44,080	48,940	53,800					
50,000	34,900	40,300	45,700	51,100	56,500					

*Lease data based on \$300.00 annual use charge plus \$.0350 per copy for the first 20,000 copies per month, \$.0325 for the next 5,000 copies during that month, \$.0300 for the next 5,000 copies, and \$.0250 for all copies over 30,000 during the month.

**Purchase data based on purchase price of a new copying machine at \$29,500, plus \$.009 per copy maintenance cost, with an estimated machine life of 3 million copies.

Denotes point in time when accumulated rental payments exceed cumulative cost of purchase and maintenance.